



## **S.Con.Res 21 Conference Report – Concurrent Resolution on the Budget for Fiscal Year 2008**

### **Floor Situation**

S.Con.Res. 21 Conference Report is being considered on the floor under a closed rule.  
The rule:

- Waives all points of order against its consideration.
- Provides one hour of debate equally divided and controlled by the Chairman and Ranking Member of the Committee on the Budget.

### **Summary**

S.Con.Res 21 would set the federal government's budget policies over the FY 2008 to FY 2012 period.

### Tax Increases

ISSUE	PRES BUDGET	HOUSE	SENATE	CONF
TAXES	Perm extension	\$392 billion increase	\$216 billion increase	\$217 billion increase*

Conference Report assumes a \$217 billion tax increase – the second largest in American history (the largest was in 1993 and totaled \$241 billion). However, the conference report includes a trigger (see Section 321 below for detail) that requires certification of a surplus in order to extend any of the current tax relief provisions. Despite this trigger, the resolution assumes \$175.6 billion in tax relief through the extension of “some” of the tax provisions. If these extensions are not enacted, the Democrats will be imposing the largest tax increase in American history\*.

The joint explanatory statement indicates that the resolution provides a one year patch of the Alternative Minimum Tax (AMT).

### Mandatory Savings

The House version of the budget included \$75 million in savings through entitlement reform and the Senate version included no savings in entitlement programs. The Conference Report includes \$750 million of mandatory savings through the Education and Labor Committee, despite \$75 billion in savings proposed by the President. These savings are on a 5 year mandatory base of \$8.5 trillion.

#### Title I: Recommended Levels and Amounts

- **Revenue:** Increases from \$2.538 trillion in FY 2007 to \$3.296 trillion in FY 2012. Total revenues between FY 2007 and FY 2012 are \$14.828 billion.
- **Total Spending:** Increases from \$2.834 trillion in FY 2007 to \$3.274 trillion in FY 2012. The total spending between FY 2007 and FY 2012 is \$15.538 trillion.
- **Total Mandatory Spending (excluding interest):** Increases from \$1.454 trillion in FY 2007 to \$1.870 trillion in FY 2012. Total spending over five years is \$8.575 trillion. **Total Discretionary Spending (excluding emergencies):** Increases from \$879.3 billion in FY 2007 to \$954.1 billion in FY 2008 Defense spending is at the President's requested level and non-defense spending is \$23.4 billion above the 2007 enacted level.

ISSUE	PRES BUDGET	HOUSE-PASSED	SENATE-PASSED
Disc. Spending	\$933 billion	\$955 billion	\$949 billion
Taxes	Perm extension	\$392 billion increase	\$216 billion increase
Mand. Spending	\$75 billion savings	\$75 million savings	\$13.5 billion increase

- **Deficit:** The deficit declines from a projected \$213.8 billion in 2007 to a projected surplus of \$41.5 billion in 2012.

*\*Note: The only year the budget reaches a surplus in 2012.*

See link with table containing funding levels by function as provided by the House Budget Committee: [Tables with budget figures and major functional categories](#)

#### Title II: Budget Process

- **Emergency Legislation** (Section 204): Legislation that makes appropriations for discretionary amounts that are designated as necessary to meet emergency needs shall not be counted against titles III and IV of the Congressional Budget Act of 1974.
- **Discretionary Spending Limits, Program Integrity Initiatives, and Other Adjustments** (Section 307): Allows for the allocation to the Appropriations Committee to be increased by the additional amount of budget authority created in the following legislation:

- (A) A bill making appropriations for FY 2008 that appropriates \$264 billion for continuing disability reviews and Supplemental Security Income redeterminations and an additional \$213 billion for continuing disability reviews and Supplemental Security Income redeterminations.
  - (B) A bill making appropriations for FY 2008 that appropriates \$6.882 billion to improve compliance at the IRS and an additional amount of \$406 million.
  - (C) A bill making appropriations for FY 2008 that appropriates up to \$383 million for the Health Care Fraud and Abuse Control program at HHS.
  - (D) A bill making appropriations for FY 2008 that appropriates \$10 million for in-person reemployment and eligibility assessments and unemployment insurance improper payments; and provides an additional appropriation of up to \$40 million.
  - (E) A bill making appropriations for FY 2008 for overseas deployments and related activities.
- **Compliance with Section 13301 of the budget Enforcement Act of 1990** (Section 210): Requires the joint explanatory statement accompanying a budget conference report to include amounts for the discretionary administrative expenses of the Social Security Administration and estimates of the total new budget authority / outlays shall include any discretionary amounts provided for the Social Security Administration.
  - **Application and Effect of Changes in Allocations and Aggregates** (Section 211): Details the allocation and aggregate adjustment procedures required to accommodate legislation for the reserve funds and “program integrity initiatives” in section 301.
  - **Adjustments to Reflect Changes in Concepts and Definitions** (Section 212): Allows the Chairman of the Budget Committee to make adjustments to the levels and allocations in this resolution in accordance with the Balanced Budget and Emergency Deficit Control Act of 1985.
  - **Exercise of Rulemaking Powers** (Section 213): Provides that Title III provisions are incorporated into the rules of the House and recognizes the right of the House to change these rules at any time.

*Note: Title II also includes several provisions specific to the Senate, including a Pay-As-You-Go point of order (Sec. 201), point of order against reconciliation legislation that would increase the deficit or reduce a surplus (Sec. 202), point of order increasing long-term deficits (Sec. 203), extension of enforcement of budgetary points of order (Section*

205), and a point of order against changes in mandatory programs with net costs (Sec. 209).

### Title III: Reserve Funds

According to CRS, “A reserve fund is a provision in a budget resolution that authorizes the chairman of the House or Senate Budget Committee to adjust the aggregate levels of revenue and spending in the budget resolution, and the spending allocations made to committees thereunder, as appropriate, if a specified legislative action occurs.”

S.Con.Res 21 sets aside no money for any of the reserve funds established in Title III, but instead requires either unspecified tax increases or unspecified spending reductions.

The budget resolution establishes reserve funds for a total of 23 different legislative items (for the purposes of this legislative digest, only the reserve funds that impact the House of Representatives are listed. Several additional reserve funds are created for the Senate, which are listed in the note at the end of this section):

- **State Children’s Health Insurance (SCHIP) Program** (Section 301): Creates a reserve fund of \$50 billion over the 2008 to 2012 period for the SCHIP program. Requires unspecified offsets to cover the cost of this legislation.
- **Veterans and Wounded Servicemembers** (Section 302): For legislation to enhance the medical care and disability benefits; expand eligibility to permit disabled retirees to receive both disability compensations and retired pay; eliminate the offset between Survivor Benefit Plan annuities and indemnity annuities; improve disability evaluations; enhance educational benefits for veterans; and increased benefits for Filipino veterans of World War II and requires unspecified offsets for any associated costs.
- **AMT / Middle Income Tax Relief** (Section 303): Creates a reserve fund for reform of the AMT and tax relief, including extension of the child tax credit, extension of marriage penalty relief, extension of the 10 percent individual income tax bracket, modification of the Alternative Minimum Tax (AMT), extension of the research and experimentation tax credit, extension of the deduction for state and local sales taxes, and a tax credit for school construction.
- **Medicare Improvements** (Section 304): Creates a reserve fund for “improving the Medicare program for beneficiaries and protect access to care.” Additionally, creates a reserve fund to address physician and other health care provider shortages.
- **Healthcare Quality, Effectiveness, Efficiency and Transparency** (section 305): For information technology legislation and new Federal or public-private initiative for comparative effectiveness research legislation.

- **Higher Education** (Section 305): For reauthorization of the Higher Education Act of 1965. Requires unspecified offsets for this legislation.

See Legislative Digest on: [H.R. 5: College Student Relief Act of 2007](#)

- **Agriculture** (Section 306): \$20 billion for FY 2007 through FY 2012 to reauthorize the agriculture bill. Requires unspecified offsets for the cost of this legislation.
- **Energy** (Section 308): For investments in renewable or alternative energy sources. Requires unspecified offsets.

See Legislative Digest on [H.R. 6: The Clean Energy Act of 2007](#)

- **County Payments** (Section 309): Creates a reserve fund for the reauthorization of the Secure Rural Schools and Self Determination act of 2000 (PL 106-393) or changes to the Payments in Lieu of Taxes Act of 1976 (PL 94-565).
- **Terrorism Risk Insurance** (Section 310): Creates a reserve fund for reauthorization of the Terrorism Risk Insurance Act.
- **Housing** (Section 311): For reform of Fannie Mae and Freddie Mac and requires unspecified offsets for any associated costs.
- **Receipts from Bonneville Power Administration** (Section 312): Creates a reserve fund for legislation that prohibits “the Bonneville Power Administration from making early payments on its Federal Bond debt to the United States treasury.”
- **Indian Claims Settlement** (Section 313): Creates a reserve fund up to \$8 billion for legislation to create an Indian claims settlement fund “for trust accounting and management deficiencies related to Individual Indian Moneys and assets;” and extinguish all claims prior to enactment for losses resulting from accounting errors.
- **Improvement in Health** (Section 314): Creates a reserve fund for legislation that would make health insurance more affordable and available to small businesses; improve health care and provide health insurance to the uninsured and underinsured (if SHIP reauthorization is enacted); improve long term care; and provide parity between health insurance coverage of mental health benefits and benefits for medical and surgical services.
- **Child Care** (Section 315): Creates a reserve fund up to \$5 billion for the child care entitlement to States.

- **Deficit Reduction** (Section 317): Creates a reserve fund for legislation that would achieve savings by eliminating improper payments and requiring agencies to increase the use of recovery audits.
- **Medicaid** (Section 320): Creates a reserve fund for legislation that would “delay in the implementation of the proposed rule published on January 18, 2007...or any other rule that would affect the Medicaid program or SCHIP in a similar manner.” Additionally, the reserve fund is created for legislation (up to \$50 million) that establishes a demonstration project to provide medical assistance to HIV infected individuals and legislation that provides for an extension of Transitional Medical Assistance through 2008, which provides Medicaid assistance for families transferring to the workforce.
- **Adjustment for Revenue Measures** (Section 321): Creates a reserve fund for legislation that would “reduce revenues below the sum of the aggregate revenue levels for a five year period as measured against the CBO baseline for the most recent concurrent budget resolution. The measure can only become effective upon certification by the Secretary of the Treasury and the Director of the OMB that the reduction in revenues will not exceed the lesser of \$179.78 billion or 80% of the fiscal year 2012 unified budget surplus.

*\*Note: This provision requires legislation that includes an extension of tax relief only if the Secretary of the Treasury and Director of the OMB certify that there is a surplus. If the certification is not met, the resolution requires the Chairman of the budget Committee to eliminate the revenue reductions (of \$179.8 billion) included in the resolution by raising the revenue aggregates -- which would then subject that revenue measure to a point of order under the Budget Act.*

- **San Joaquin River Restoration and Navajo Nation Water Rights Settlements** (Section 322): Creates a reserve fund for legislation that would fulfill the purposes of the San Joaquin River Restoration Settlement Act or implementation of the Navajo Nation water rights settlement.

*\*Note: Title III also provides reserve funds for the Senate, including for immigration reform legislation (Sec. 316), reform to Medicare Part D, manufacturing initiatives (Sec. 318), FDA reauthorization, and selected tax relief policies (Sec. 323).*

#### Title IV: Policy

Expresses policy views on:

- **Taxes** (Section 401): It is the policy of the House to
  1. Reform the AMT.
  2. Extend some, but not all, portions of the 2001 and 2003 tax cuts.

- **Defense** (Section 402). Proposes that:
  1. Implementing the 9/11 Commission Recommendations to adequately fund cooperative threat reduction and nuclear nonproliferation programs should receive a higher priority than provided in the President's budget
  2. TRICARE fees for military retirees under the age of 65 remain at current levels.
  3. Military benefits should be increased.
  4. recommendations by the Walter Reed Commission should be funded
  5. Missile defense should be funded at a lower level
  6. GAO recommendations on "improving financial management and contracting practices at the Department of Defense" are followed.
  7. Actions from 5 and 6 should be used to pay for 1 through 4.
- **College Affordability** (Section 403): States that the reconciliation instructions to the Education and Labor Committee in Section 601 of the budget resolution should not reduce any assistance that makes college more affordable to students.

#### Title V: Sense of the House

- **Veterans Health Care** (Section 501): The House supports excellent health care for current and former members of the United States Armed Services. The resolution assumes rejection of proposals from the President's budget for enrollment fees and co-payment increases.
- **Innovation Agenda** (Section 502): It is the sense of the House that "sufficient funding" be provided for programs on education and innovation. The increased funding is to support among other things the education of 100,000 new scientists, engineers, and mathematicians.
- **Homeland Security** (Section 503): The budget resolution calls for homeland security spending increases above the President's requested level every year.
- **Hurricane Katrina** (Section 504): The budget resolution calls for legislation to reform the contracting process and to better prepare for future disasters.
- **Long-Term Sustainability of Entitlements** (Section 505): The budget resolution notes the aging population, calls for a policy of funding future Social Security benefits by paying down the debt, states that a lower debt burden would free up resources for productive investments, and states that the most significant factor

impacting the nation's entitlement programs is the rapid increase in health care costs for the Medicaid and Medicare programs.

- **Hunger** (Section 506): The budget resolution calls for Department of Agriculture programs that fight hunger to be maintained.
- **Health Coverage** (Section 507): The budget resolution calls for legislation consistent with PAYGO that would expand access to health insurance and make it more affordable.
- **PAYGO** (Section 508): The budget resolution calls for an extension of PAYGO. This applies to not just spending but also to taxes, including expiring tax provisions.
- **Long-Term Budgeting** (Section 509): The budget resolution calls for consideration of the Financial Report of the U.S. Government during deliberation over budget policy.
- **Pay Parity** (Section 510): The House budget resolution calls for pay adjustments at the same rate for civilian federal employees and members of the uniformed services.
- **Waste, Fraud, and Abuse:** Calls on all committees to identify wasteful and fraudulent spending within their jurisdiction. (Section 511).
- **The importance of child support enforcement** (Section 512): Calls for legislative action to ensure that states have the necessary resources to collect child support.
- **State Criminal Alien Assistance Program** (Section 513): SCAAP funding should be consistent with the goal of achieving the program's fully authorized level.

#### Title VI: Reconciliation (Section 601)

Calls for House Education and Labor Committee to come up with \$750 million in mandatory savings for the FY 2007 to FY 2012 period.

#### **Staff Contact**

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